

**Remarks by Craven Crowell, Chairman
Tennessee Valley Authority
to the TVA Financial Analyst and Investor Meeting
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PROMOTING PROSPERITY

Introduction

(Slide C-1: Title Page)

Thank you, Sissy . . . and good afternoon, ladies and gentlemen.

As always, we're delighted to be back in New York . . . and we're especially pleased to be here today to give you a report about TVA . . . beginning with our new Board.

I would like to introduce my new colleagues --- Directors Skila Harris and Glenn McCullough, both of whom bring a depth of experience in areas that are important to TVA's success.

First, I'd like to recognize Director Harris.

Director Harris was appointed by President Clinton and confirmed by the Senate last November.

As TVA's first woman director, she brings to the Board more than two decades of experience in the energy field . . . and extensive involvement in the restructuring of the electric utility industry.

Director Harris served in the Department of Energy during two presidential administrations.

She was executive director of DOE's highest advisory body and managed the work of a panel preparing recommendations about the future of TVA in a competitive marketplace.

Director Harris served as a special assistant to Vice President Al Gore and chief of staff for Tipper Gore.

And she has held management and executive positions with companies in the private sector.

Director Harris is a native of Bowling Green, Kentucky, where she earned a bachelor's degree from Western Kentucky University.

She continued her education at George Washington University, where she earned a master's in legislative affairs.

Director Harris joins the TVA Board committed to assuring that the benefits of competition accrue to the people of the Tennessee Valley.

She is committed to ensuring a safe, reliable, and environmentally sound supply of electricity to sustain the economic vitality of our region.

Please welcome, TVA Director Skila Harris.

((Skila's remarks))

Thank you Skila.

Now it's my pleasure to introduce TVA Director Glenn L. McCullough, Jr.

Director McCullough was appointed by President Clinton and confirmed by the Senate last year and joined the Board with Director Harris.

At that time he was serving as Mayor of Tupelo, Mississippi.

Director McCullough brings to TVA extensive experience as an administrator and executive in both the public and private sectors.

During his tenure as Mayor of Tupelo, his city earned recognition from the National Civic League as one of the nation's 10 All-America Cities.

As mayor, he served on the executive committee of the Mississippi Municipal League and was a member of the Governor's Special Task Force for Economic Development Planning.

He also served on the board of the North Mississippi Industrial Development Association and the Big Brothers/Big Sisters organization.

Prior to his election as mayor of Tupelo in 1997, he was the Director of the Mississippi state office of the Appalachian Regional Commission.

As state director of the Appalachian Regional Commission . . . he promoted economic growth through programs focused on improving workforce training, infrastructure improvements and industrial recruiting.

Previous to these public service positions, he was an executive in his family's business, McCullough Steel Products in Tupelo.

Director McCullough is a graduate of Mississippi State University.

As you can see, he has worked extensively for economic development for his city and the state before joining the TVA Board.

Please join me in giving him a warm welcome.

((Glenn's remarks))

((Video))

Well, that's a hard act to follow! The young lady you just saw is "Lexi" Tipton from Knoxville. Lexi is seven years old and attends the second grade at West Hills Elementary School. And, yes, she really is that smart! Math is her favorite subject and her career goal is to be an astronomer.

Now I'd like to talk for just a moment about the opportunities for growth and success presented by the new digital economy.

First, the increasing importance of electricity to the digital economy . . . and second, the vital role of TVA and public power in a restructured electric utility industry.

Digital Economy

(Slide C-2: Photo collage of old/new assembly line and NYSE)

Twenty years ago, the typical job in the industrialized world was an assembly-line worker.

Today, robots are running the assembly-lines and the typical job is in an office with a computer.

There is a digital revolution underway.

And it's driving phenomenal economic and social change in the U.S.----attracting investment, reducing inflation, and increasing productivity.

We have already begun to see the impact of the Internet on our everyday lives with the explosion of e-commerce.

But this is only the first glimpse of the impact it's going to have on the way we do business.

The convergence of knowledge and technology is enabling the creation of totally new industries. It's producing fundamental changes in today's business.

You are well aware of this . . . since banking and investing are at the forefront of the industries being transformed by computers and the Internet.

But what fuels the digital economy?

(Slide C-3: RDI Chart)

Only electricity has the flexibility and precision to fuel this technological engine.

And the need for electricity is increasing at a substantial rate.

America's reliance on electricity has increased 60 percent since 1970.

And some predict that the nation's electricity consumption will grow nearly 30 percent over the next 15 years.

(Slide C-4: Quote from PHB Hagler Bailly, Inc., October 5, 1999)

The leap to a digital economy is making the U.S. increasingly dependent on electricity.

The demand is there ... and is growing.

Price is important ... but reliability is fast becoming an equal concern.

Just last summer, business and industry suffered huge losses and public safety was jeopardized during multiple blackouts in Chicago and New York City.

TVA Track Record on Reliability

Fortunately for the Tennessee Valley . . . TVA has a 67-year track record of delivering reliable, low-cost electricity.

I'd like to take a few minutes to tell you what we've done recently to make sure our customers have electricity when they need it.

(Slide C-5: Peak Chart)

Last summer, TVA met 16 peak demands higher than our 1998 record . . . and set an all-time peak power demand of 28,295 megawatts.

And we did this with no interruptions or voltage reductions.

We were able to accomplish this outstanding record because of the hard work and dedication of our employees, who take great pride in the excellent operation of our system.

Here's what they've been able to deliver:

(Slide C-6: 1999 Accomplishments)

All five of TVA's nuclear reactors have received the prestigious INPO 1 rating for excellence . . . making TVA the nation's only utility with five reactors to achieve these results.

(Slide C-7: 1999 Accomplishments)

And our nuclear employees received two Top Industry Practice awards last year from the Nuclear Energy Institute for a first-of-its-kind piping replacement technology.

(Slide C-8: 1999 Accomplishments)

Resource Data International gave TVA's Cumberland Fossil Plant a five-star rating based on the plant's performance in a number of operational areas.

Adequate facilities, in good operating order, are certainly the foundation for reliability.

But providing reliable power over the long haul requires dedicated employees willing to learn the new skills demanded by a fully competitive marketplace.

(Slide C-9:1999 Accomplishments)

TVA University is charged with making sure all our employees have the knowledge and skills needed to continue TVA's long-standing tradition of creativity and innovation.

TVAU was recently awarded the W. Edwards Deming Outstanding Training Award in recognition of its innovative employee development and training initiatives.

(Slide C-10: TVA Accomplishments)

Competition also requires a commitment to constantly improving services. Last September, *Information Week* magazine ranked TVA No. 1 among the nation's utility companies in using information technology to meet business objectives.

And it rated us 15th among the top 500 business users of technology.

Competitive Prices

(Slide C-11: Retail Price Comparison/Public Power)

Of course, the most impressive measure of TVA's success . . . and the one that really matters . . . is the overall retail price of power in the TVA region.

In 1998, that retail price was nearly 20 percent below the national average.

As you know, TVA adopted a 10-Year Business Plan in 1997 designed to ensure that our prices remain competitive.

Plans for 2000

That's the good news from 1999.

Now I'd like to tell you about a few initiatives that we're focusing on this year and that you can expect to hear more about as the year progresses.

Regional Growth and Demand

(Slide C-12: Powerful Problems—WSJ 1/13/00)

You might remember last year that I expressed concerns about the possibility of major power shortages resulting from generation and transmission capacity additions not keeping pace with the growing demand for electricity.

Greater demands are being placed on all utilities around the country, but those of us serving the booming economy of the Southeast face a special challenge.

During the past decade, the Tennessee Valley region's economy grew at a rate of four percent annually.

That's nearly double the national average ... with the demand for power increasing an average of three percent a year.

Nearly 80,000 additional megawatts of electricity will be needed by the Year 2012 to meet the projected load growth in the SERC region.

We have already announced plans to add 2,400 megawatts of generating capacity over the next four years through improvements to existing units and the addition of peaking capacity.

And we are in the process of examining a variety of options to determine the most reliable and cost-effective way of meeting future demands created by the vigorous growth in our region.

Reliability

Not only is the demand for generating capacity increasing, the use of the transmission system is growing as well.

This year, TVA has already had a 40 fold increase in requests over last year for firm transmission service this summer.

We are working with surrounding utilities, power marketers and new merchant-plant operators in our region to develop plans to handle the expanded demands on our transmission system.

In a few minutes, Ike will tell you about some of the improvements we've made to our system to be able to handle this growth.

Culture Change & Process Improvement

We've taken many steps to prepare our generating and transmission systems for growth ... now I'd like to tell you what we're doing to prepare our employees for competition.

(Slide C-13: TVA: Preparing for Competition)

I've already mentioned TVA University, which was created in 1994 to foster continuous learning.

But knowledge alone is not enough.

Employees must be able to apply that knowledge to meet the competitive challenges that confront the utility industry.

(Slide C-14: TVA: Preparing for Competition)

TVA's leadership is committed to making culture change a reality as an essential component of preparing for competition.

STAR 7 is our company-wide culture change program.

TVA's top executives and thousands of employees have already completed Phase I of the program.

They will soon participate in Phase II, as we continue our efforts to build a high-performance, competitive culture.

(Slide C-15: TVA: Preparing for Competition)

One of TVA's key values is innovation and continuous improvement.

Last year, TVA started a Business Transformation initiative to improve cross-organizational business processes to make us more customer-focused, efficient and cost effective.

Ike will also discuss this program in his comments later on.

Customer Satisfaction

Everything we do at TVA to improve reliability and lower prices is directly related to our commitment to customer satisfaction.

TVA has long been an advocate of competition ... and we know that one day our customers will have a choice of power suppliers.

We want to be sure they choose us.

(Slide C-16: Customer Satisfaction)

Competition is already changing the demands placed on many of our customers ... and we are working with them to provide new products and services to meet their changing needs.

TVA's efforts in economic development also provide a competitive advantage for our customers and our region.

(Slide C-17: Customer Satisfaction)

Since 1995, TVA has offered Valley businesses and industries \$90 million in economic development loans.

These loans and other TVA services leveraged an additional \$3.1 billion in capital investment.

This resulted in the creation and retention of almost a quarter of a million jobs in the Valley.

Public Power

In everything we do, we are focused on our responsibilities to the public good.

(Slide C-18: PPI Research Focus)

For example, TVA recently established the Public Power Institute to bring together new ideas and technologies to support public power's roles as a power producer ... a leader in environmental responsibility ... and a promoter of efficient energy use.

The Institute, in cooperation with local and national partners, will use TVA's integrated power system as a national laboratory to showcase energy innovations and solutions.

It will provide a source of scientific and technical expertise that can help shape government regulations and public policy.

The Institute will develop technologies for and address national issues related to air quality, renewable energy supply, and efficient energy production and use.

Because TVA is the largest wholesale producer of electricity in the nation ... and the primary steward of the Tennessee Valley's resources ... we also take our responsibility to protect the environment seriously.

TVA is committed to improving air quality in the Valley and, in fact, has significantly reduced emissions from its plants over the past several years.

TVA was the first utility in the nation to agree to participate in the DOE-sponsored "Climate Challenge," a voluntary greenhouse gas reduction program for electric utilities.

We also are working with 11 distributors of TVA power to be the first in the Southeast to offer consumers a green-power option with electricity generated by renewable resources like wind and solar energy.

We are committed to protecting the environment ... and we are working with the Environmental Protection Agency to find ways to sustain TVA's clean air initiatives ... without putting TVA customers and the Valley at an economic disadvantage.

[pause]

National Restructuring Legislation

Now, the subject of national restructuring legislation seems to come up frequently in meetings such as this.

As you know, any changes to TVA's position will be addressed at the national – not the State – level.

(Slide C-19: TVA's Restructuring Principles)

At TVA, my Board colleagues and I are actively engaged in the national restructuring debate to make sure that any legislation is fair to all consumers and fosters reliability, universal access, environmental stewardship and economic development.

In terms of timing, we don't expect to see any legislation passed this year.

For some reason ... Congress always seems to get a little distracted in election years!

As Representative James Garfield said, “When the shadow of the Presidential and Congressional election is lifted, we shall, I hope, be in a better temper to legislate.”

Conclusion

(Slide C-20: High Tech Photo Collage)

In conclusion, I want to assure you that TVA will maintain a leadership role in defining competition as the industry transitions to the marketplace of the future.

We have a record of efficient and reliable service that is the envy of the industry.

We're financially sound and our prices are among the most competitive in the country.

We have a professional workforce that is second to none.

We have sound relationships with our customers ... the Valley Congressional delegation and ... the Administration.

Utilities are the fuel of the electronic age, and now more than ever, electricity is the energy of choice.

TVA is uniquely positioned to serve as the benchmark of success for the utility industry as it is restructured and as it rises to the challenges of the new digital economy.

Thank you all very much for your kind attention.

Now I'd like to recognize Ike Zeringue, President and Chief Operating Officer.
Ike ...

((Ike's speech))

((David's speech))

Question & Answer Session

Thank you, David and Ike.

It's been our tradition to open the floor to questions ... and this year will be no different! We're ready for the first question.

((Q&A))

Concluding Remarks

We appreciate all of you joining us this year ... and we appreciate your continued support of TVA.

We look forward to seeing you again next year.

Thank you.